UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

SEMINAR ON THE PROMOTION OF COOPERATION BETWEEN COMMODITY PRODUCING COUNTRIES

Abidjan, Côte d'Ivoire, 6-7 June 1991

This seminar was organized by the Government of Côte d'Ivoire in collaboration with UNCTAD. The draft report was approved by the participants in the meeting on the understanding that the text would be revised by the authorities of Côte d'Ivoire in the light of the comments made. At the request of Mr.Alain Gauze, Minister-Delegate in the office of the Prime Minister of Côte d'Ivoire, this final version of the report is being circulated to delegations within the framework of the informal encounters being held in preparation for the eighth session of the United Nations Conference on Trade and Development.

The report does not seek to give a detailed account of opinions expressed by the participants and does not necessarily reflect those of the authorities of Côte d'Ivoire or those of the UNCTAD secretariat.

UNCTAD VIII/4
GE.91-51277

Introduction

1. As part of preparations for the eighth session of the United Nations Conference on Trade and Development, a seminar on "The Promotion of Cooperation between Commodity Producing Countries" took place on 6 and 7 June 1991 in Abidjan; it was attended by representatives from countries of Africa, Latin America and Asia which are among the principal producers of coffee, cocoa, natural rubber, cotton, palm oil and wood. This meeting, organized by the Government of Côte d'Ivoire in collaboration with UNCTAD and with the financial support of the French Government, was chaired by Mr. Alain Gauze, Minister-Delegate Responsible for Commodities in the office of the Prime Minister of Côte d'Ivoire.

2. The seminar's aim was to promote an exchange of views on three topics:

(i) Analysis of the present situation regarding commodities;

(ii) Factors capable of revitalizing cooperation between producer countries;

(iii) Relations with consumer countries.

3. The present report summarizes the discussions which took place on each of these items and constitutes a contribution to current thinking on the question of commodities within the framework of preparations for UNCTAD VIII.

ANALYSIS OF THE PRESENT SITUATION REGARDING COMMODITIES

4. The debate on this item, introduced by a member of the UNCTAD secretariat, dealt mainly with questions relating to the structure of supply and demand and to the functioning of commodity agreements.

5. The participants emphasized that, since the end of the 1970s, commodity prices have fallen to the detriment of numerous developing countries. The situation continues to be unfavourable and particularly affects countries which depend heavily on a few commodities.

6. In order to maintain their foreign exchange earnings and ensure continuity of revenue and employment for the producers themselves, these countries have no choice but to offset the drop in prices by increasing the volume of exports. This process leads to a paradoxical situation whereby the tendency towards falling commodity prices and the tendency towards a surplus in supply mutually reinforce each other.

7. The link between a somewhat disorderly production situation, and persistently low prices must constitute the primary motivation for cooperation between producer countries.

8. For many years lack of cooperation has resulted in an inadequate exchange of information which should in future take place regularly and should relate to quantities produced, prices, and medium- and long-term market trends. Producers need an information system which is accessible and easy to use in order to better harmonize their policies and adapt them to market conditions. Such a system would facilitate decision-making in such fields as production, diversification and exports. Generally speaking, greater transparency is needed among producer countries in order to enable them to manage their commodity economies together and to adjust their production programmes accordingly.

9. The participants emphasized that there was not enough vertical diversification and that in future it ought to play an essential role in reducing the dependence of developing countries on raw materials.

10. Producers themselves need to be given more responsibility by participating directly in the improvement of production and marketing processes, and in assuming the risks involved in taking decisions in this area. Producers should also turn their attention to the home market so as to help make it more dynamic.

11. A reference was made to the influence of commodity traders and industrialists who hold the real power in international transactions. Consequently, it seems necessary to develop a relationship with private operators which takes this influence into account. Since consumer prices are tending to rise while commodity prices are falling, it is particularly appropriate to explore ways of enabling producers to share in the distribution of the value added charged by transnational operators in the commodity sector.

12. It was also noted that these operators, traders and industrialists have built up large stocks, representing several months' consumption, and that this situation is not conducive to a recovery in prices.

13. In this context, the participants considered the question of commodity agreements. In the present conditions of a general surplus, it is difficult to imagine that commodity agreements could succeed in supporting prices without promoting harmonization of production policies. The organization of producer countries is thus an indispensable condition for revitalizing commodity agreements.

14. Reasonable and equitable price levels should be attained under these agreements.

15. In particular, if nothing is done to revive those agreements which are at present frozen by the suspension of economic clauses, the prices of the products concerned will remain depressed. This is the essential role to be played by the harmonization of production policies, which is indispensable for the re-establishment of economic clauses.

16. The idea of creating a common stabilization fund in each country was put forward. This would involve setting aside savings during a period when agreements are working efficiently and using them to ensure a degree of continuity of income for producers themselves during a period of reorganization.

17. Environmental concerns should be taken into consideration in agreements. Price-setting ought to take account of the need for sound management of natural resources.

FACTORS CAPABLE OF REVITALIZING COOPERATION BETWEEN PRODUCER COUNTRIES

18. This item was introduced by Mr. Guy Alain-Emmanuel Gauze, Minister-Delegate Responsible for Commodities in the office of the Prime Minister of Côte d'Ivoire. The discussions which followed his introduction focused mainly on cooperation in controlling supplies and in production policies.

19. Producer countries can influence market conditions through concerted action on supply. The ability to use such measures varies, depending on whether the product is exported by a few or many countries. Natural rubber,

cocoa and palm oil come from a small group of large producer countries. The case of palm oil is rather complicated since other vegetable oils are produced in many countries. Coffee and cotton involve a large number of producer countries.

20. One of the difficulties in organizing supply is the emergence of new producers and exporters while most of the traditional producers have maintained or increased production. There is thus a conflict between traditional producers wanting to preserve their market shares and new entrants aspiring to gain a foothold in the market.

21. National commodity policies, particularly those aimed at increasing commodity production and exports, in turn affect the supply situation.

22. To remedy this situation, collective action could be taken in the interest of all producer countries, while recognizing the freedom of each country to determine its own trading policy.

23. Over and above the particular situation of each country, similar problems and a community of interests call for vigorous interaction among all producer countries. This interaction could enable them to take a comprehensive view of the situation regarding the principal commodities, and to examine how sacrifices could be accepted and opportunities best used.

24. In this context, coordination among the producer countries concerned, focused on policies relating to the commodity sector, could be established. It would need to function flexibly and pragmatically, and in particular to respect the renegotiating mechanisms of each product organization. Countries participating in this coordination could request technical assistance from UNCTAD.

25. Producer associations could promote the coordination of efforts to improve production methods and policies. In this area, associations such as the Inter-African Coffee Organization (IACO) and the Cocoa Producers' Alliance could play a positive role. Reference was made to one of these which has drawn up a programme for the improvement of existing plantations. Sources of finance have been approached, but have refused to support the project; this refusal could not have been due to a negative assessment of market prospects, since funds have been made available for other producers.

26. Developing countries which have already adapted to certain technologies could enable others which have not yet done so to benefit from their experience. Through technological progress and additional measures, several countries have succeeded in increasing their productivity and adjusting their manufacturing costs to world prices. Some countries have in addition acquired extensive experience of the complex mechanisms of futures and options markets. These examples can be followed with success by other producer countries.

27. Developing countries will have to undertake joint promotion campaigns in order to increase consumption.

28. Commodity organizations will have to set up projects in order to profit from the resources of the Common Fund for Commodities.

RELATIONS WITH CONSUMER COUNTRIES

29. This item was introduced by a member of the UNCTAD secretariat, and the discussion then concentrated on the participation of producer countries in marketing processes, technical and financial cooperation to support diversification, and access to the markets of developed countries.

30. More direct access to information can contribute greatly towards improved management of the commodity sector in developing countries. Cooperation with the developed countries would enable them to benefit from the technical assistance needed in this field.

31. The developing countries can try to increase contacts with marketing agents - particularly, in certain cases, through investing in marketing companies. With the support of donors they can be incorporated into marketing processes and benefit from the associated advantages.

32. Various possibilities of joint ventures in the commodity sector are open to developing countries. Some countries already have experience of controlling upstream and downstream processes.

33. A number of developing countries have succeeded in progressively reducing the role of commodities in their economies through a coherent programme of vertical diversification. There is a need to promote cooperation with consumer countries in order to set up programmes of vertical and horizontal diversification. Cooperation should first focus on an accurate evaluation of the country's resources and the prospects in the world market. Such an evaluation calls for a thorough analysis of the problems associated with production techniques and market operations, and it must lead to well-founded feasibility studies. External support is especially necessary in this field since many developing countries, particularly the poorest, have insufficient human resources and lack the necessary basic information.

34. The appreciable advantages of technology are likewise beyond the reach of most developing countries which depend on commodity exports. For this reason the technical and financial support of developed countries is more indispensable than ever, both in production and in processing.

35. Industries using commodities should be encouraged to set up in developing countries as part of a process of relocating production. To make such redeployment possible, the developing countries need to invest in infrastructure, increase training, make the best use of human resources and provide for changes so as to benefit from their competitive advantage in the world market.

36. It would be desirable to take steps to improve access to the markets of developed countries. Efforts will have to be made to persuade these countries to eliminate tariff barriers. It is highly desirable that the Uruguay Round negotiations should achieve significant results in this area.

37. The attitude of consumer countries concerning regulations for environmental and health protection is sometimes used as a pretext for preventing access to their markets. The development of this new form of protectionism must be prevented. In cases where environmental protection necessitates measures involving additional costs, producer countries should receive compensation to enable them to meet these costs. Furthermore, producer countries should be given the chance to make full use of opportunities to promote environmentally sound products for consumer country markets.

38. Insufficient domestic savings and the reduction of private investment make the support of donors indispensable. It therefore appears desirable that the latter should directly finance the private sector.

39. In concertation with donors and the developed countries, a distinction should be made between the role of the private sector in developing countries in the field of production, processing and marketing and the role of the government in policy formulation and the establishment of a framework for the operation of the commodity sector.

40. Lastly, it should be emphasized that the radical changes which have taken place in the countries of eastern Europe have given rise to hope for the creation of new markets for developing countries exporting commodities. However, east European countries are facing currency and insufficient revenue problems. New investment flows could improve their capacity to import commodities. The developing countries must consequently prepare themselves in order to benefit from these markets.

41. UNCTAD should further extend its activities aimed at strengthening the cooperation of developed countries in all the areas referred to above which are concerned with the question of relations with consumer countries.

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Representatives of the following Côte d'Ivoire bodies also attended the meeting as observers: Ministry of Commodities, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Agriculture, and Stabilization Fund.

UNCTAD Secretariat

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Informal Encounter on International Governance:

Trade in a Globalizing World Economy

Jakarta, Indonesia, 19 and 20 June 1991*

* This summary has been prepared by the UNCTAD secretariat in the context of its preparations for UNCTAD VIII and is being circulated for the convenience of delegations. It does not purport to be a comprehensive account of the views expressed by participants in the Informal Encounter, nor does it necessarily reflect the views of the secretariat.

GE.91-51562

INTRODUCTION

1. In the context of the preparations for UNCTAD VIII undertaken by the UNCTAD secretariat, independent and government experts participated in their personal capacity in an informal encounter on *International governance: trade in a globalizing world economy*, which was held in Jakarta, Indonesia, on the 19 and 20 June 1991 (list of participants attached). The encounter was organized by UNCTAD, hosted by the Government of Indonesia and co-financed by the Government of Japan. The purpose of the encounter was (i) to promote an exchange of views on the concept of globalization; (ii) to examine the implications of globalization for the evolution of international trade and patterns of interdependence; and (iii) to consider the contributions of international governance to making the process beneficial to all countries and, in particular, developing countries.

I. GLOBALIZATION: AN ASSESSMENT

2. Over the last few years, the world economy has been subjected to a series of shocks and changes which have made it both less predictable and richer in opportunities and challenges. The need for an improvement in international governance is felt with a particular acuity in the area of trade.

3. Because many of the most recent developments in international trade constitute an intellectual as well as a practical challenge to the way policy-makers, negotiators, and analysts address trade issues, it is often difficult to tackle such elements in a concrete and straightforward fashion. The discussions in the Informal Encounter, however, were particularly rich in examples of practical situations and precise cases which showed that issues such as "globalization" and "international governance" were a necessary component of any productive debate on the future of the international trading system.

4. Very early in the discussions, participants underlined that, in the domain of trade, the issue of international governance is made both more burning and more delicate by the ongoing process generally referred to as "globalization".

1. Main characteristics

5. Over the last 20 years, largely owing to advances in information technologies, international economic relations have been affected by a set of trends generally referred to as "globalization". This phenomenon can be seen as the third of three "layers of internationalization". Historically, the first of these layers was that of international trade. The 1970s were marked by the rapid emergence of yet a second layer, which analysts have labelled "financial integration", whereby international investment flows outpaced trade flows. Then, starting in the early 1980s, the third layer (globalization) was superimposed on the first two, by placing technology (and especially information technology) at the forefront of competition. Strategic alliances between firms and the pervasive use of planetary information networks are spearheading a reshuffling of comparative advantages, in which continuous innovation and flexible organization become crucial sources of profitability. Therefore the consideration of interdependence now requires that increased attention be given, in addition to trade and finance, to technology, as well as to the rationale and impact of the "global strategies" of private firms.

6. The process of globalization has proved to be a contradictory one, whereby trends towards global integration (e.g. of financial markets) co-exist with growing regionalization as well as

with tendencies towards fragmentation, in particular through the establishment of incompatible and competing standards and procedures in sectors dominated by proprietary networks.

2. *Practical consequences*

7. Although difficulties were expressed in understanding the concept, as well as in defining the process, there was broad agreement that globalization comprises phenomena that affect international economic relations in all sectors. These phenomena include, *inter alia*, inter-sectoral integration at the level of national and world economies; the growing mobility of factors of production; the rapid internationalization of production and the growth of trade; the blurring of the distinction between policies addressing different objectives, such as industrial policies on the one hand and competition policies or trade policies, on the other, or the distinction between competition and trade policy, etc. To a large extent, these phenomena stem from:

(a) Advances in technology in general, which are affecting competitiveness in all sectors; advances in information technologies in particular, which are changing the ways firms and nations are trading with each other;

(b) The emergence of global private networks, which are modifying the way firms compete with each other. By networks is meant not only communication devices, but also organizational tools which allow participants in them to mobilize the network's resources in the pursuit of diverse objectives, thus creating new comparative advantage;

(c) Changes in corporate strategies characterized by increased intra-network co-operation, on the one hand, and increased inter-network competition, on the other.

8. For example, "global delivery systems", such major airlines' computer reservation systems (CRSs),[1] are global, not simply because of their geographic reach, but because of their capacity to integrate and/or bring to the market packages of services or goods belonging to previously separate sectoral markets. In a single transaction, it is now possible to purchase travel services, hotel accommodation, car rental services, insurance and credit services. In that sense, competition involves facing the challenge of competition not only from other countries, but also from other sectors. Other examples in the area of services involve the diversification of financial institutions into insurance and *vice-versa*, which has been at the centre of growing competition between banks and insurance enterprises worldwide. In textiles, the introduction of computer-aided design (CAD) used for pattern-making, grading and marking, and numerically controlled cutters (NCC) are contributing to a "new deal" of comparative advantages among producers. Their main benefits -- i.e. a quick response to changing market requirements, a shorter turn-around time in grading and marking, and considerable improvements in fabric utilization -- have been reducing the comparative advantage of low-wage and abundant labour. In addition, telecommunications have made it possible to fragment the production process in different locations, as design can take place closer to the fashion centres, while production, which is still labour-intensive, can be located thousands of miles away. In this area, a few developing countries have been moving up the scale of comparative advantage by rapidly adopting similar strategies.

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1 By computerizing and interconnecting their reservations systems, major airlines have not only been able to speed up their bookings operations, but also to optimize their fleet operations. More importantly, however, such networking has enabled major operators to 'bundle' some travel-related services. The cost of establishing and operating such global networks is such that only companies with a *critical mass* of operations can profitably join them. As some analysts have remarked, this reinforces the disparity between the major players and their would-be competitors. In addition, the efficiency of CRSs has already induced a shift in the value-creation process in the sector of travel and travel-related services: such a shift is clearly in favour of the host countries of CRSs, and away from the actual providers of tourism services, for example. Major CRSs are System One (Texas Air), Sabre (American Airlines), Apollo (United Airlines), Amadeus (Air France, Lufthansa, Iberia, SAS), Galileo (British Airways, Swissair, KLM, SABENA), Abacus (Cathay Pacific, Singapore Airlines, Thai International Airways).

3. Challenges ahead: marginalization and fragmentation

9. There was broad agreement that globalization does not necessarily imply a greater integration of all countries in the world economy. In fact, it has been a highly uneven process, led by enterprises in a relatively small number of developed market-economy countries and an even smaller -- albeit growing -- number of developing countries. Among the factors limiting developing countries' participation in the globalization process, the following were mentioned: low level of technological development, inadequate infrastructures, small market size, financial constraints, local limitations imposed on foreign direct investment, limited market access for developing countries' exports, inadequate technology transfer. It was pointed out, however, that there was a growing differentiation among developing countries, with an increasing number of countries becoming able to participate, to a greater or lesser extent, in the globalization process. These trends notwithstanding, developing countries are only marginally involved in decisions shaping the rules and the future developments of globalization.

10. It was noted that the process of globalization has been accompanied by a growing tendency towards fragmentation in the form of regionalization around each of the triad members (United States of America, Western Europe, Japan) which are leading the process. Although, in the absence of appropriate policies, regionalization threatened to create trade blocs, it could also pave the way to a more effective multilaterialism: problems that emerged at the regional level could be resolved regionally first, and the solutions then be extended to the multilateral level. Moreover, there were differences in the regionalization processes observed, with different implications for multilateral relations. Some processes were driven mainly by markets (financial and technology flows) – i.e. Japan, NICs, ASEAN; others by policies (trade etc.) -- i.e. United States and Canada plus potentially Mexico and Latin America; still others by political considerations or by a combination of the above – i.e. EEC, Eastern Europe, EFTA, North Africa.

11. Finally, a number of participants underlined that *economic* globalization was only one dimension of a wider process that touched upon every facet of the human condition. Demography, employment, education, poverty, endemic diseases and environmental degradation were issues that needed to be addressed globally and thus fell within the realm of international governance.

II. TRADING IN A GLOBALIZING WORLD ECONOMY

12. It was felt that, as globalization has so far been restricted to a small number of developed and developing countries, the linkages between trade and the globalizing trends have only now begun to be understood and analysed. For the majority of developing countries, which had remained predominantly exporters of commodities, it was difficult to see how globalization could affect them in concrete terms and, therefore, help them to design their policies accordingly. It was, however, generally accepted that, for all countries, globalization not only created opportunities, but also presented new challenges.

1. Reshuffling comparative advantages

13. Among the opportunities, and also the challenges, mentioned was the creation of new competitive advantages through increased mobility of factors of production and continuous innovation, sustained productivity growth and improvements in production processes. The growing opportunities for South/South integration and for small countries or small firms to participate in the global economy were also mentioned.

14. However, the extent to which countries or their firms could benefit would depend on the

degree to which they are, or will be, integrated into the global trade, investment and technology flows. In this connection, factors which might facilitate or constrain such integration were highlighted. The overall level of economic development, the level and the type of skills available, the availability of adequate infrastructures, were considered important determinants of a country's integrative capability. As for the role of domestic policies, the importance of which was stressed by a number of participants, it was pointed out that they had been covered extensively in another informal encounter which had been devoted entirely to national governance.[2]

2. *The increasing role of foreign direct investment (FDI)*

15. In view of the central role played by FDI in the process of globalization, it was argued that the integration of developing countries could be accelerated through increased FDI flows to these countries, but that such an increase would of course depend on their policies regarding FDI, as well as on the local macroeconomic environment more generally. Other participants felt that, since most developing countries are on the receiving end of FDI, integration through this channel would not take into account these countries' specific development requirements. In this connection, it was pointed out that some of the developments associated with the globalization process, since they usually involve large transnational corporations (TNCs), carry the risk of increased vulnerability, particularly for developing countries: globalization was seen as contributing to the increase of traditional restrictive business practices (e.g. collusive tendering, market-sharing, exclusion from markets, prohibition of exports and other cartel-type arrangements), as well as introducing new ones, which could be described as "systemic" in the sense that they need not involve intentionally negative practices on the part of firms, but result from the new organizational models that make it difficult for the outsiders or late-comers in the process to benefit from the opportunities offered.

3. *A need for action*

16. Finally, it would appear that globalization has been creating new forms of division of labour additional to those prevailing in the past. Some participants stressed that, if left to market forces alone, these developments could lead to suboptimal allocation of both human and economic resources and to further widening of the development gap between countries. The systemic obstacles to access to networks, for example, cannot be overcome without specific actions. The need for international co-operation and rule-making was therefore greater than ever. For the developing countries, which in their majority constitute the weaker link in the process of globalization, international co-operation should ensure that their specific needs are reflected in the systems to emerge. The answers to the problems raised by globalization have yet to be formulated. The rule-making exercise has only just begun in the developed countries. There is, therefore, still time to formulate the "development paradigm" to be injected in the debate.

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[2] See *Informal encounter on national governance: the respective rules of the public and the private sectors in promoting sustainable development*, Caracas, Venezuela, 13-15 February 1991 (UNCTAD VIII/1).

III. INTERNATIONAL GOVERNANCE AND TRADE

17. The complexity and uncertainty characterizing the globalization process are increasing both the urgency and the difficulties of establishing a coherent framework for international governance in the trade area. The participants agreed that globalization was introducing new issues regarding both the concept of international governance and how to translate this concept into operational procedures. There was broad agreement that effective international governance involved the solution of long-standing problems, such as access to markets, RBPs, etc., although views as to how this could be achieved varied.

18. Among the issues discussed, there are a number in which international action is deemed necessary and to which UNCTAD should lend its support and have a role to play. These include: the institutional framework, access to markets, restrictive business practices (RPBs), financial issues, development of human resources, and trade efficiency.

1. Institutional framework

19. The international community has so far not succeeded in setting up an effective framework for attending to the interests of all countries in an equitable way. A key condition for this seems to be a regular and constant involvement of developing countries in international efforts regarding trade, finance and technology flows. UNCTAD VIII, being a universal gathering and a forum for discussing interdependence, would provide an opportunity to examine the totality of issues involved in globalization. The discussion of this issue pointed to the growing integration of developing countries into the multilateral trade system, as evidenced by the growing number of countries that had autonomously undertaken measures (particularly trade-liberalizing measures), which were considered to constitute a positive contribution to the broad objectives of the Uruguay Round.

20. International institutions concerned by the globalization process could certainly place more emphasis on technology. Among other areas requiring additional attention, "rules of origin", "anti-dumping" and competition policies were mentioned. Regarding the latter, the suggestion was made that, eventually, minimum international criteria could be set against which domestic policies could be measured.

2. Market access

21. Market access has remained a central issue of concern for developing countries. The observation was made that, even under the most optimistic forecasts concerning the Uruguay Round, problems of market access will remain. Some participants stressed that, in order to ensure that the goods of developing countries enjoy better market access, it will be necessary not only to remove the discrimination faced by these countries' exports in terms of tariff and non-tariff barriers in developed markets, but also to expand the scope of the generalized system of preferences (GSP), for example to services, and to provide preferential market access to all possible areas of export interest to developing countries. UNCTAD could be the appropriate forum to pursue discussion on non-tariff barriers (NTBs) and the future of the GSP. Dissenting views were expressed about the necessity and desirability of pursuing current GSP schemes.

3. *Restrictive business practices (RBPs)*

22. The discussion supported (see previous section) that RBPs have been made potentially more important by globalization. In this connection, the need to foster equality of opportunity in international trade would involve policies in the following two areas:

- access to competitive structures and the tools for gaining competitiveness, mainly technology, information networks, distribution and marketing channels, services infrastructures and greater participation in trade; and

- action to prevent and control RBPs.

23. The adoption of rules that would bind both States and their enterprises -- which would be the most extreme possibility -- was supported by some participants on the grounds that governments have been adopting a dirigiste approach when their own national interests are at stake, providing State support to their enterprises, or acting on behalf of their enterprises to maximize their global expansion. The view was expressed that binding rules could act as a constraint on FDI and thus have a countervailing effect. The adoption of guidelines whose observance will be based on self-discipline would appear as another option. The need for a campaign to raise the awareness and increase the understanding of developed-country enterprises about the results of accepting such disciplines in terms of mutual benefits and complementarity was mentioned.

4. *Financial issues*

24. For the majority of developing countries, financial constraints will be limiting factors for access to the infrastructure, technology and know-how which are necessary to build comparative advantage. The importance of financing issues was brought up by several participants. These included not only the need for further improvements in the international debt strategy, but also the need to mobilize other external sources of financing. With the exception of FDI that has also been linked to technology transfer, the need to restore a better balance between structural adjustment and project financing and the build-operate-and-transfer (BOT) schemes was mentioned.

25. The lack of appropriate infrastructures in many developing countries constitutes an important obstacle to the diffusion of technology. International financial aid will continue to play a role in this case.

5. *Human resources*

26. In many instances one of the main limitations for a country's capacity to absorb technologies is the lack of appropriate local human skills. UNCTAD could play a role in providing technical assistance for training in the use of networks and towards the development of capabilities to accelerate the diffusion of technology more generally. In view of the expressed wish of developing countries' governments to make extensive use of the market as a means for organizing economic activity, the need for organizational and managerial skills will become increasingly more important. The provision of incentives by developed-country governments to their enterprises for managerial training in developing countries and in economies in transition could also be envisaged.

6. *Trade efficiency*

27. Participants underlined the need for prompt international action in the area of trade-related information flows. The pervasive effect of worldwide information networks (of which many are privately-owned) is going to be increasingly felt in developing countries. This constitutes both a major opportunity and a daunting challenge. On the one hand, a more global diffusion of the productivity gains which these networks have allowed could significantly increase the overall level of efficiency in international trade transactions and accelerate the integration of developing countries (as well as economies in transition in Eastern and Central Europe) into a freer, more transparent and more open trading system. On the other hand, the present landscape of global networks is one of fragmented standards and strictly limited access. If left to so-called spontaneous forces, this situation would unavoidably lead to (i) further segmentation of markets and loss of possible economies of scale, (ii) further marginalization of developing countries and economies in transition.

28. It was underlined that, in this area, the need for internationally accepted rules and guidelines was urgently felt. Such rules and guidelines would cover not only norms and standards (for hardware, software as well as for trade-related messages and trade procedures), but also the conditions governing the possibility for outsiders (i.e. the firms and countries that do not own these global infrastructures) to gain access to the networks. It was repeatedly stressed during the discussions that the the exercise of "rule-making" had only just started in this area, and that there was still time to inject a positive "development paradigm" into on-going discussions. It was proposed that UNCTAD should take the lead in launching an international initiative in this area and offer a focal point for the fostering of on-going initiatives related to (i) the promotion of commonly accepted norms and standards for trade-related information flows (e.g. in EDI), (ii) granting network access to outsiders, and (iii) establishing an Information Network for Trade and Development, which would carry up-to-date and universally accessible information on procedures, trade laws, preferential arrangements, markets and opportunities for developing countries' exports.

IV. CONCLUSIONS

29. By and large, globalization constitutes a potentially positive force for growth and development. However, current trends point to the possible emergence of a "fragmented global economy", within which large economic spaces would develop their respective internal (intra-zone) complementarities to the prejudice of inter-zone trade flows.

30. Apart from the international trading system itself, the main victims of such a situation would be the large majority of developing countries, and possibly economies in transition. The need for better governance in the trade sector is thus particularly felt in these countries.

31. The advent of globalization does not diminish in any way the urgency with which the longstanding problems faced by developing countries (e.g. market access) should be addressed by the international community. However, the new context in which international transactions are taking place calls for a greater awareness of the importance of foreign direct investment, trade and business practices, and technological innovation with regard to the trade performance of developing countries, as well as to the functioning of the international trading system.

32. As far as international trade is concerned, the current situation is characterized by the growing need for clear and fair rules of the game, in particular in those areas which have been most affected by technolcgical advances (e.g. information-intensive services), and organizational changes (e.g. through networking). UNCTAD has a particular role to play in this context, by offering as early as possible the "development paradigm" which this debate is still largely lacking.

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UNCTAD VIII/6
29 August 1991

ENGLISH
Original: SPANISH

WORKSHOP ON UNCTAD IN A CHANGING POLITICAL AND ECONOMIC ENVIRONMENT

Santa Fé de Bogota, 24-26 August 1991

The workshop was organized by the Government of Colombia in cooperation with the UNCTAD secretariat. The summary was prepared by the Colombian authorities, who moderated the workshop, with the assistance of the UNCTAD secretariat. The summary is not intended to be a comprehensive account of the different points of view expressed by the participants during the workshop. It simply highlights the most important features of the debate and of the various suggestions made in the course of this in order to stimulate discussion and follow-up action by the appropriate bodies. The report does not necessarily reflect the opinions of the Colombian authorities or of the UNCTAD secretariat.

At the request of the Colombian authorities, the present text of the report is being made available to delegations in the context of the preparations for the eighth session of the United Nations Conference on Trade and Development.

GE.91-51731/7697a

WORKSHOP ON UNCTAD IN A CHANGING POLITICAL AND ECONOMIC ENVIRONMENT

Santa Fé de Bogotá, 24-26 August 1991

INTRODUCTION

1. In the context of preparations for UNCTAD VIII, to be held at Cartagena de Indias, Colombia, in February 1992, independent and governmental experts took part, in their personal capacity, in an informal meeting on "UNCTAD in a changing political and economic environment" held at Santa Fé de Bogotá, Colombia, from 24 to 26 August 1991. A list of participants is appended. The purpose of the workshop was to consider what role UNCTAD could play in the 1990s in the light of the recent, far-reaching changes in international relations.

2. The event was opened by the Minister for Foreign Affairs of Colombia, Mr. Luis Fernando Jaramillo Correa, and by Mr. K.K.S. Dadzie, the Secretary-General of UNCTAD, both of whom emphasized the importance of the forthcoming meeting at Cartagena de Indias, and of the workshop as an important milestone in the preparations for the eighth Conference. Immediately after the opening, the participants expressed their respective points of view in a general debate on the topics before the workshop. After the general debate there was a more specific discussion of the challenges and responsibilities that the economic sector of the United Nations, and UNCTAD in particular, will have to face in the coming years. The discussion also covered mechanisms and means for ensuring that the results of the Conference would be acted upon and, in general, that the Organization's future tasks would be carried out effectively.

GENERAL DEBATE: CHALLENGES AND EXPECTATIONS RESULTING FROM CHANGES

3. During the workshop a broad consensus was achieved on a large number of issues relating to development. It was underlined that UNCTAD VIII would take place against a background of radical changes around the world. From the political viewpoint, such changes could lead to a more peaceful and secure world, with more firmly entrenched democratic processes, popular participation and improved international relations.

4. Various opinions were expressed on the new perceptions of what today determines growth and economic development and the best methods of achieving these. Market forces were an efficient means of ensuring an appropriate distribution of resources; while the State, for its part, had a crucial role to play in setting the rules of the game to ensure that the market could operate efficiently and equitably. The State also had to help to create conditions conducive to human development and the involvement of all members of society in an open, democratic system. Each country was responsible for bringing about its own development, but a suitable international environment was also necessary for such development to take place.

5. It was emphasised that the world economy had recently been undergoing a process of globalisation and internationalisation in which technological change played a fundamental role. At the same time, large economic spaces were acquiring considerable influence in international trade and in international negotiations generally.

6. The difficulty of predicting the consequences, impact and nature of changes in international relations, especially their possible repercussions on developing countries, was underlined. However, these changes and trends presented great opportunities as well as challenges. It was therefore considered that a decisive effort to expand and improve international economic cooperation, through a constructive dialogue based on common interests and mutual benefits, was urgently needed.

7. Reference was made to the economic differentiation of countries by levels of development, rates of growth, technological sophistication and participation in the international economic system which, along with the gaps in those respects that separated developed from developing countries, posed a growing risk that many countries, in particular the least developed, would become more and more marginalized. It was pointed out, however, that some countries of the South had been successful in their economic growth and were taking a more active part in international trade. Several participants also expatiated on the increasing difficulty for the developing countries of participating in and influencing the process of international economic decision-making.

8. The emergence of new issues of concern to the international community, apart from the traditional development topics, was commented on. Special mention was made of questions relating to the environment and sustainable development, where it was felt that efforts should be concentrated on striking a satisfactory balance between environmental protection, the elimination of poverty and equitable economic development. UNCTAD VIII could well be an important forum for establishing the necessary link between development and the environmental issues that would be discussed at the Rio de Janeiro Conference in June 1992.

9. On all the matters discussed there was broad agreement in most of the assessments and points made, but there were naturally divergencies in the interpretations put on them and the implications of these.

GENERAL COMMENTS ON UNCTAD VIII

10. In the light of their general comments on the major political changes and new economic orientations, the participants agreed that UNCTAD VIII offered a unique opportunity to work for a new consensus between industrialized and developing countries strengthen national and international action and international cooperation so as to achieve a healthier, more secure and more equitable world economy. UNCTAD's central mandate for development within a revitalized United Nations system need to be restated and enlarged in connection with UNCTAD VIII.

11. UNCTAD VIII also offer an opportunity to take stock of the existing situation and the trends apparent in the international economic environment. It would, in addition, enable a calm appraisal to be made of current challenges and opportunities with a view to promoting the general well-being of the international community and the advancement of the developing countries and economies in transition.

12. The final document of UNCTAD VIII should include an evaluation of the challenges and opportunities offered by the present evaluation of the international economy. The outcome of the Conference should be founded on a genuine consensus of importance, to all participants, in order to prepare the ground for tackling the major problems of trade and development in the 1990s.

13. All participants agreed that UNCTAD VIII afforded a special opportunity to confirm the validity of the organization's original mandate and the need for institutional revitalization so that it could play a leading role in the development of a healthier, and more secure and equitable world economy in the coming years. Most felt that institutional arrangements should be a high-priority topic during UNCTAD VIII. In this respect, the participants discussed in detail the new agenda for the 1990s and the mechanisms necessary to ensure the revitalization of the institution.

A REVISED AGENDA FOR THE 1990s: UNCTAD'S ROLE IN A NEW INTERNATIONAL ENVIRONMENT

14. All participants agreed that UNCTAD had three main functions that must be preserved and strengthened: (a) global analysis and policy coordination; (b) technical cooperation; and (c) negotiations. Each of these areas was the subject of a series of proposals and interpretations relating to its particular characteristics and scope in the context of the new international situation.

15. UNCTAD must continue to play a fundamental role as a forum for economic policy coordination at the general level and for evaluating the impact of economic policy formulation, at both the national and international levels, on development. Emphasis was laid on the importance of an international forum that allowed and encouraged the free examination and open discussion of ideas on and approaches to economic growth and development, with no ideological bias of any kind. The character of UNCTAD as a universal and democratic forum was stressed by the majority of participants.

16. The function of technical cooperation and, in general, of technical support - particularly in relation to developing countries - was underlined by all participants. Special mention was made of the support and technical assistance provided by the UNCTAD secretariat in the past; nevertheless this function must be re-evaluated in the light of both its objectives, extent and scope and of the operational methods for its implementation, in order to increase the technical support offered to developing countries without detracting in any way from the institution's universal character.

17. The need to strengthen technical assistance in traditional areas as well as in new areas of interest was underlined. Emphasis was placed on the importance of a close link between the secretariat's operational capacity and

its research and analysis functions. It was also emphasized that technical assistance was a key function of UNCTAD, and should be recognized as such, and not called in question by any group of countries. Some participants mentioned that in order to improve the secretariat's capacity and productivity in this field, assistance should be more practical, operational and competitive compared with the existing market supply.

18. Participants expressed various viewpoints on the importance and relevance of UNCTAD as a negotiating forum in the present-day world. In general, it was recognized that there was a need for selectivity as regards the questions taken up in international negotiations. UNCTAD must continue in and reaffirm its role as a universal forum for multilateral negotiations on development issues within its sphere of competence. However, it was emphasized that the future orientation should be towards specific, differentiated negotiating mandates, not necessarily entailing broad global negotiations as in the past. It was also said that UNCTAD could be given more specific mandates on concrete matters not necessarily involving all its member States.

19. Concerning the questions with which the organization should be concerned in the next few years, participants put forward a series of suggestions and proposals for a future agenda. These would be channelled through the main functions of the organization according to their importance, priority and maturity for examination and action. The issues and matters raised did not always command consensus, but were considered to be topics of general interest deserving the attention of the international community.

20. Among the topics mentioned were:

(a) The so-called traditional topics that still require the international community's attention, such as commodities and the developing countries' external debt;

(b) Economic cooperation among developing countries and regional integration;

(c) Economies in transition and, in particular, the question of how to reconcile the demands for resources and technical cooperation from the developing countries and from the countries of Eastern and Central Europe. Some participants held that such questions should not detract from UNCTAD's main concern, which was to attend to the needs of the developing countries, and should therefore be dealt with bilaterally between the parties concerned;

(d) Sustainable development and environmental concerns in the context of development. In that respect it was emphasized that UNCTAD could make an important contribution in the area of transfer of technology;

(e) Trade expansion. Some participants emphasized the urgent need for the UNCTAD secretariat to assist the developing countries in multilateral, regional and bilateral trade negotiations;

(f) The relationship between trade, foreign investment, technology and services;

(g) New international regimes governing foreign investment and international competition; and

(h) The growing diversity of development experiences, which could lead to the consideration of national situations.

MECHANISMS AND OTHER METHODS OF ENSURING THE EFFECTIVE IMPLEMENTATION OF THE CONFERENCE'S RESULTS AND OF THE ORGANIZATION'S FUTURE TASKS

21. In order to respond to the new challenges and demands of development, the participants held a series of discussions on the most efficient way to carry out the tasks of UNCTAD at the intergovernmental and secretariat levels.

22. Different participants emphasized the importance of selecting the topics to discuss, and at the same time, the need to establish priorities within the organization's work. In general, participants reiterated the need for debates within UNCTAD to lead to operational consensus that would make for the effective functioning of the organization. They all pointed out the need to make working methods more flexible so that countries or groups of countries with common concerns could introduce new topics for consideration and action. The working methods and the mechanisms introduced should be of such a nature as to minimize the possibility of unnecessary confrontations that would make technical and action-oriented work impossible. Stress was laid on the importance that both Governments and the secretariat should be prepared to confront and anticipate new challenges and new concerns.

23. Various observations and suggestions were made on intergovernmental machinery. Some participants referred to the methods of work of the committees, whose usefulness and productivity - in a revitalized UNCTAD - would merit re-examination. Some participants felt the present system of committees could be replaced by a more efficient and workable system under which greater attention would be assured for present and future priority topics. Others were of the view that dismantling the committees would affect the structure of UNCTAD itself.

24. Various observations were made on the functioning of the group system. To some participants, this was a highly political matter that could only be dealt with by each regional group. Others stated that, particularly in view of the break-up of the so-called Group D, it was necessary to review the subject and introduce greater flexibility forthwith in the way in which the regional groups worked, so that new groups interested in specific subjects could be formed to seek for solutions to priority questions of mutual interest. Similar remarks were made on the functioning of the Group of 77. There was unanimous agreement on the need for more flexibility in the informal contacts among regional groups and all the participants in the international debate. There were various suggestions on how to facilitate contacts among Groups, and comments on the need to promote contacts and informal consultations among all sectors.

25. The participants were unanimously of the opinion that deliberations and debates within UNCTAD need not necessarily lead to negotiations on the texts of resolutions that contributed little to the international dialogue. Much would be gained by having instead Chairman's or secretariat summaries or conclusions recording the debate, the different viewpoints and the different approaches to a particular topic.

26. Various suggestions were made concerning the need to establish effective mechanisms for following up and giving effect to decisions and undertakings adopted in UNCTAD. The subject should be examined in more detail in order to determine the most suitable follow-up mechanisms for effectively carrying out the commitments assumed. The kind of decisions and commitments to be followed up in this manner also needed to be examined.

27. Mention was made of the possibility of establishing within UNCTAD a North-South consultation mechanism that would enable more direct support to be given to the work of UNCTAD and its secretariat so that the new challenges and tasks of development could be addressed efficiently.

28. A number of participants stressed the importance of establishing a series of informal mechanisms to enable the work of UNCTAD to benefit from the support and views of non-governmental bodies, particularly in the private sector and labour sectors, and non-governmental organizations in general. They also considered it was important to create a more structured mechanism to enable such bodies to participate. Furthermore, it was thought to be vital for groups of independent experts, very high-level academics and leading institutions engaged in research and studies on economic development to be involved in UNCTAD's preparatory work. Similarly, it was considered to be especially important to establish mechanisms for appropriate interaction with the Bretton Woods institutions and GATT.

29. An important aspect of the process of renewal and strengthening of UNCTAD was that of the secretariat. Various proposals were put forward in that respect. It was considered highly important to strengthen the Secretary-General's capacity to propose solutions, introduce new topics, establish contacts at all levels and undertake consultations with Governments and other agents of development. The secretariat should also be flexible enough to be able to attend to priority matters by mobilizing sufficient resources. Its capabilities for research and analytical work had to be strengthened. Some participants underlined the need for secretariat documents to be sufficiently timely and action-oriented to permit governmental response and action at the highest level. In general, it was thought that the secretariat could make use of advanced communications media to consult Governments and other bodies without the need to travel.

30. Several participants mentioned the need to give the secretariat the necessary budgetary, financial and administrative flexibility so that it could comply with its responsibilities more satisfactorily.

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

INFORMAL ENCOUNTER ON CONDITIONS OF FINANCING ENTERPRISE ACTIVITIES IN DEVELOPING COUNTRIES AND FOSTERING THEIR PARTICIPATION IN WORLD TRADE

Berlin, Germany, 31 October and 1 November 1991

This seminar was organized jointly by the German Foundation for Development and the UNCTAD secretariat. The draft report was approved by the participants in the meeting on the understanding that the text would be subsequently revised in the light of the comments made. This final version of the report is being circulated to delegations within the framework of the informal encounters being held in preparation for the eighth session of the United Nations Conference on Trade and Development.

The report does not seek to give a detailed account of opinions expressed by the participants and does not necessarily reflect the views of the German Foundation for Development nor those of the UNCTAD secretariat.

GE.91-55959

Introduction

1. In the context of the preparations for UNCTAD VIII undertaken by the UNCTAD secretariat, international entrepreneurs and senior officials from selected Governments participated in their personal capacity in an Informal Encounter on "Conditions of financing enterprise activities in developing countries and fostering their participation in world trade", which was held in Berlin on 31 October and 1 November 1991 (for the list of participants, see annex II). The purpose of the Encounter was to promote an exchange of views with the enterprise sector on issues of interest to that sector in the context of current international economic trends and concerns, particularly those of developing countries. The Encounter was organized by the UNCTAD secretariat and the German Foundation for International Development (DSE), which hosted and financed this event.

2. The Informal Encounter was co-chaired by Mr. Yves Berthelot, Deputy Secretary-General of UNCTAD, and Mr. Lutz Hoffmann, President of the German Institute for Economic Research. The discussions were organized under three general topics: financing enterprises in developing countries; strengthening relations between the international trade sector; and the relations between UNCTAD and the enterprise sector. Three working papers served as background material for the discussions. The present note contains a summary of the main issues discussed and the wide range of conclusions reached during the debate. The Encounter led to a broad convergence of views on a number of important issues. However, it was not supposed to reach consensus on all the issues discussed. On a few issues participants had different perceptions and positions. There was, however, a total consensus on the need to fully support and encourage entrepreneurship in developing countries and that UNCTAD as an institution has an important role to play in this endeavour.

I. Financing enterprises in developing countries

3. Enterprises are the backbone of economic growth and capital formation. In the light of the debt problems of many developing countries, financing of enterprises is a crucial issue for promoting economic development. Enterprises can rely both on self-financing and on external financing. There was general agreement among the participants that large companies, on the

whole, face few difficulties in securing sufficient external finance. Small and medium-sized enterprises (SME), on the other hand, are for various reasons confronted with problems of access to domestic as well as to international sources of capital and therefore have to rely largely on self-financing. This holds in particular for companies which operate in the informal sector.

4. It was pointed out that Governments have an important role to play in the establishment of the general framework and in building adequate institutions to serve the financial needs of enterprises in general and the SMEs in particular. These government measures have to be adopted at the macroeconomic and microeconomic levels.

5. At the micro-level, policies should aim at the establishment of a variety of financial intermediaries (FI), which serve the needs of different types of companies. In general, all FI, whether publicly or privately owned, should be guided by profit and efficiency-oriented management. The policies should be such that the prices of financial services in domestic markets reflect the actual scarcity of capital, in order to prevent capital flight depriving the country of financial resources and discouraging the supply of domestic savings.

6. SMEs are often unable to obtain external capital even if they are willing to pay the market interest rate because they usually cannot offer collateral. Venture capital companies as well as development banks could offer an important source of funding for SMEs. The government therefore should create incentives for venture capital companies, for example by providing an appropriate tax regime. A promising possibility for channelling foreign public assistance to the local private sector, in particular SMEs, is offered by development banks. They should be managed by well-trained staff, run on a competitive basis, and accountable to their shareholders. Shareholders of development banks could be domestic as well as foreign governmental institutions.

7. The government policy towards financing of enterprises must be transparent, stable and reliable. The regulatory framework should be such that improper practices or arbitrary intervention should be discouraged and appropriately controlled. The established rules of confidentiality should also prevail.

8. Creating an environment conducive to the emergence of an efficient system of FI is not sufficient. Of equal importance is the training of people to run such a system. The government should establish the conditions for setting up training systems capable of providing a broad variety of managerial and engineering skills. Governments of developed countries should be encouraged to support such efforts.

9. Adequate self-financing is only feasible if companies are allowed to make and to accumulate sufficient profit. However, extra profits should not be made at the expense of efficiency. The best guarantee for efficient profit-making is the creation and maintenance of a competitive environment. The role of the government is to set the appropriate general framework, which includes anti-monopoly legislation. It should refrain in general from distorting interventions in the market as well as from excessive and discriminating taxation.

10. Good governance at the macro-level requires first of all sound fiscal policy. If governments do not control budget deficits they are also unable to maintain monetary stability. Inflation leads to distorted pricing, high interest rates and exchange-rate instability. High domestic interest rates encourage borrowing abroad, whereas a declining exchange rate raises the costs for domestic producers.

11. Sound fiscal policy, monetary stability and functioning capital markets are important for balancing domestic investment and savings, thus reducing the need to borrow from abroad. In order to earn foreign exchange, a country should strengthen its export sector rather than resort to heavy foreign borrowing.

12. Macroeconomic instability also offsets efforts to attract foreign direct investment (FDI). For many developing countries FDI is important not only as a source of capital but also for access to technology and to export markets.

13. Given the present competitive situation on world capital markets, developing countries should establish a liberal regime towards FDI. If a country is able to balance its foreign trade and voluntary capital flows it does not need to impose restrictions on the repatriation of profits by foreign investors.

14. Recent changes in international relations have raised some concerns about the insufficient availability of capital for developing countries. In this respect, it was felt that international capital flows should not be directed away from developing countries.

II. Strengthening the international trade sector

15. Many developing countries are now aware of the need to become internationally competitive. This not only improves efficiency, but also makes possible economies of scale through the need to supply both the domestic and the export markets.

16. The transition from a protected to an open economy can be a painful process with temporarily increasing unemployment and other social problems. However, it was felt that the longer the transition to an open trade regime is postponed, the more difficult the problem of adjustment becomes.

17. The liberalization process should follow a well-designed sequence of policy steps. It must be accompanied by decisive public policy aimed at providing and maintaining the institutional and physical infrastructure so that domestic producers can react positively to the incentives created by liberalization.

18. In an open economy domestic producers can compete successfully with foreign suppliers both on the export market and on the domestic market. The creation of an open trade regime, therefore, promotes both export expansion as well as import substitution. The dichotomy between these two concepts blurs.

19. The success of recent liberalization efforts in a number of developing countries is demonstrated by the rapid increase in exports. Nevertheless, restricted market access in developed countries frustrates liberalization efforts in several countries.

20. The ongoing multilateral trade negotiations in the Uruguay Round are of utmost importance for developing countries' trading potential. The recent rise in non-tariff protection, in particular grey-area measures imposed by developed countries, was a major threat to the export drive of developing countries. If the Uruguay Round should fail through the developed countries' inability to overcome protective pressures among themselves, they will lose credibility in advocating liberal trade policies in developing countries.

21. The creation of an open trading system does not necessarily depend on one particular model of democratic government. What matters is that entrepreneurial initiative can develop freely without major strings being imposed by governments, and in particular that respect for human rights should be observed so that personal initiatives are not regarded as being in any way suspect. This implies also that the governments strictly observe human rights. Economic growth fostered by thriving entrepreneurship facilitates a positive response by governments to emerging democratic demands.

22. There is a growing awareness that international competitiveness can benefit from policies to protect the environment. Environmental degradation damages domestic resources and may thereby lead to an increase in domestic production costs in the long run.

23. Trade in services is growing in importance for both developed and developing countries. Developing countries can be competitive in both low-skill and high-skill services. An example of the latter is the recent

emergence of export-oriented software centres in some countries, such as India. It is therefore of great importance that negotiations on services in the Uruguay Round comprise the entire range of services traded internationally.

24. International trade, like national trade, requires the maintenance of a competitive environment. In developed countries, as well as at the level of the European Economic Community, this task is performed by anti-monopoly authorities, operating under an appropriate legal framework. The basic rules of international competition have been spelled out in the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, unanimously adopted in 1980 by the General Assembly of the United Nations. It was felt that there was a need to further implement and develop strengthened international rules to maintain the functioning of a competitive international trading system.

III. UNCTAD and the enterprise sector*

25. The participants expressed general interest in and acceptance of the proposal to establish closer links between UNCTAD and the business community. On this particular topic, the businessmen attending the meeting made the following declaration:

"(a) For the first time UNCTAD is undertaking a serious initiative to strengthen its relations with the enterprise sector. The entrepreneurs fully support this change and appreciate that the period of distant and passive relationship of UNCTAD with the enterprise sector may now be over.

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* The discussion on this item was based on a paper entitled "UNCTAD and the enterprise sector" prepared by Mr. Béat-Alexander Jenny. (See annex I below).

(b) Entrepreneurs need to better understand future long-term developments as they emerge from the recent, fundamental changes in international relations. UNCTAD should play a role in achieving this objective.

(c) In the short run, UNCTAD could be of assistance in mobilizing regional entrepreneurial networks and organizations and for improving linkages and joint activities with similar organizations and networks of other regions, both in the South and in the North.

(d) The Secretary-General of UNCTAD should enlarge and enhance the existing relations with the enterprise sector, and in so doing he should start convening meetings along the following lines:

(i) Establishment of a business council to advise the Secretary-General;

(ii) Establishment of an advisory committee to the Trade and Development Board on substantive issues and to the secretariat on technical co-operation;

(iii) Improving linkages and alliances with established business networks.

These new initiatives should be pursued on a continuous basis."

26. The senior officials participating in the Encounter, in their personal capacity, expressed their full support for the ideas advocated by the entrepreneurs on the closer links with UNCTAD and requested the secretariat to follow up this matter.

Annex I

UNCTAD AND THE ENTERPRISE SECTOR

A REVIEW AND PROPOSAL

28 October 1991

This paper is a summary of a study prepared by Mr. Béat-Alexander Jenny, at the request of the UNCTAD secretariat, for the Informal Encounter on Conditions of Financing Enterprises Activities in Developing Countries and Fostering their Participation in World Trade held in Berlin, Germany, from 31 October to 1 November 1991. The views expressed in this text are those of the author and do not necessarily reflect those of the UNCTAD secretariat.

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I. BACKGROUND

1. The objective of this report is twofold: (1) to review the various forms of relationships and dialogues which UNCTAD had developed in the past with enterprises, both private and public; and (2) to propose ways in which these relationships could be strengthened and, wherever necessary, be made more useful and purposeful in the light of the important and rapid changes occurring in international economic relations and development.

2. Participation of the enterprise sector in the work of UNCTAD is not new. What has changed, however, in recent years is the recognition by many member countries of the growing importance of understanding the enterprise sector as the key actor in a number of new phenomena such as the process of globalization and the process of deregulation, including the changing role of the State in many countries, especially in developing countries.

3. The present report develops the subject of UNCTAD and the enterprise sector in three steps:

(i) a survey and assessment of the existing relationships of UNCTAD with the enterprise sector;

(ii) a number of examples of how other intergovernmental organizations manage their relationships with the enterprise sector;

(iii) conclusions and recommendations on how UNCTAD could structure, develop and strengthen its relationships with the enterprise sector in both developing and industrialized countries.

II. EXISTING RELATIONSHIPS

4. Contacts and relations with the enterprise sector, or with individual enterprises, have existed since UNCTAD I and, in the case of some commodity markets, Study Groups involving different market actors were already in existence in pre-UNCTAD times. Relations with enterprises are at present very diverse and dispersed throughout the programmes and divisions of UNCTAD and are maintained in the following forms and sectors:

UNCTAD official negotiating forums

5. It is customary for enterprise representatives and lobbyists to participate in their national delegations at official UNCTAD meetings and negotiations. Business interest in UNCTAD is especially strong in commodities (in particular in minerals and metals), in shipping, transfer of technology, restrictive business practices, the GSP and invisibles and financing. Business interest and participation may have increased in recent years in certain specific and technical areas, but enterprises from Western industrialized countries participating in UNCTAD meetings normally far outnumber those from developing countries. Participation of enterprises from industrialized countries becomes prominent whenever direct business interests and specific market developments are at issue. Wider and more general discussions in UNCTAD bodies show little evidence of enterprise participation.

Research

6. In this category of relations, individual UNCTAD staff members take the initiative to develop contacts with enterprises when market data and structural information are required to understand a particular subject where enterprises play a major role.

Technical co-operation:

7. UNCTAD technical co-operation programmes are based on direct contacts, encounters and training activities with enterprises. The importance of enterprises in developing countries as objects of studies, and targets for training and advisory services is growing rapidly.

Policy dialogues and development co-operation with enterprises

8. In the area of Commodities, traditional linkages and relations with the enterprise sector, on both the producers' and consumers' side, have existed since the beginning of UNCTAD. The intensity of such relations varies depending on who the major actors in the markets are and how the markets are organized.

9. Industry shows an interest and seeks a relationship with UNCTAD when UNCTAD expertise in fact exists and has been demonstrated to be useful to producers and consumers alike. Industry is a driving force behind these moves to establish study groups on different commodities.

10. Establishing and maintaining a strong network of enterprise contacts and relations in the commodity markets which are of primary concern to UNCTAD is absolutely vital if UNCTAD expertise is to be kept updated and strengthened.

11. In the International Trade Programme, direct contacts with the enterprise sector exist and are being developed in the areas of industrial collaboration, technology, services and in the GSP programme. In these areas the need for widening and deepening relations with enterprises, in order to advance work and to keep it relevant, is felt most strongly. There is also a need to involve the enterprise sector, including TNCs, in discussions about wider policy issues such as the future of the international trading system.

12. In the Industrial Collaboration Programme focusing on the development of export-oriented joint ventures, issues such as the need for new kinds of financing, banking and risk-sharing, and other subjects including changes in the processing trade and subcontracting of parts manufacture are discussed or to be discussed with the enterprise sector.

13. In other areas like insurance, transport and communication, technology, GSP and in the trade facilitation programme (FALPRO) relations to the enterprise sector in general and to interested indigenous enterprises have become more intensive in the last years, although yet not systematically developed.

14. The Shipping Division of UNCTAD has for many years successfully worked with the principal actors in the maritime transport sector at obtaining industrial advice (which may differ from Government positions) and discussing issues which are of interest to these actors. Well established relations with the enterprise sector exist at the official, informal and technical levels of work. Official links with the enterprise sector also exist in the management training programmes TRAINMAR, JOBMAR, IPP, ACIS.

III. EXTERNAL RELATIONS OF OTHER INTERGOVERNMENTAL ORGANIZATIONS

15. The classical example is the ILO in which the relations with the principal actors - governments, employers, workers - have been internalized in the constitution of the organization from the outset in 1919. This tripartite structure is a unique feature among intergovernmental organizations.

16. Critics of such a formal and pervasive tripartite structure maintain that it is heavy and cumbersome, and that it tends to lead to "minimum solutions". However, the setting of minimum standards relating to the quality of working life remains one of the key functions of the ILO, and it is difficult to imagine how such standards could be determined and imposed without a formal co-operation between Governments and the social partners.

17. An adapted form of tripartite thinking is also at the root of the very original set-up of the United Nations Commission on Transnational Corporation, a body of 48 member States which has met annually since 1975. The Commission and the Secretariat, the United Nations Centre on Transnational Corporations (UNCTC), benefit directly from the co-operation of a formally constituted Group of Expert Advisers who assist the Commission in its deliberations and negotiations, and who advise the secretariat on work programme orientation and research.

18. Multipartite consultations are also organized periodically by the Industrial Corporation Programme of UNIDO. Conceived mainly as industrial investment promotion activities, the UNIDO consultations bring together Governments, industrial enterprises, financing agencies, research institutions and trade unions to exchange information and views on the prospects of a particular industrial sector. Space is provided for private contacts with potential partners in joint ventures, equipment suppliers and with the finance community. In addition, UNIDO maintains permanent outposts in eight industrial centres around the world (Cologne, Paris, Seoul, Tokyo, Vienna, Warsaw, Washington D.C., and Zurich).

19. An original arrangement for relations and co-operation with the enterprise sector has been established for the preparatory process of the United Nations Conference on Environment and Development (UNCED), the "Earth Summit" to be held in Rio de Janeiro, Brazil, in June 1992. The

Secretary-General of UNCED appointed a Swiss industrialist, Mr. Stephan Schmidheini, as his Principal Business and Industry Adviser. Mr. Schmidheini responded by setting up the Business Council for Sustainable Development (BCSD), a body of 48 international business leaders of the highest calibre (14 from developing countries) who have accepted to play a leading role in helping the business and industry communities to understand and adapt to the concept of sustainable development.

20. Outside the United Nations System, the most interesting example of a complete and, with exceptions, well functioning external relations strategy is provided by the Organization for Economic Co-operation and Development (OECD) - the intergovernmental organization of the developed market economies. Relations with the enterprise sector at the OECD are maintained at three levels:

- a system of formal and informal relations of the organization and its Council with the representatives of both trade unions and the business and industrial communities - ie. with the "social partners";
- a large network of enterprise relations linked with the Secretary-General's Advisory Unit for Interdisciplinary Questions;
- a system of specific business contacts at the technical and sectoral levels, maintained by the individual OECD directorates.

IV. CONCLUSIONS AND RECOMMENDATIONS

21. The relationships with the enterprise sector, both in the North and in the South, are at present very dispersed throughout the activities of UNCTAD and are managed mostly on an ad hoc basis. On the whole, the existing relationships do not draw enough on the potential contributions that enterprises or leaders from the enterprise sector could make to UNCTAD. The very varied and growing needs for national and international enterprise development in developing countries call for a focused dialogue with enterprises at policy level.

22. In order to attract the interest of the enterprise sector to the work of UNCTAD and in order to take full advantage of a mutually fruitful relationship, it is important that the UNCTAD secretariat make a concerted effort (i) to explain its mission and programmes to key actors in the enterprise sector, (ii) to listen to the concerns in the enterprise sector related to trade, technology and development, and (iii) to identify areas of collaboration, in which useful work can be undertaken.

23. There is a real concern about the imbalance between developed and developing countries in the participation of enterprises in UNCTAD activities. While enterprises of the North usually can be counted on to relate with UNCTAD in some specific areas, the enterprise sector of the South has tended to be absent, at least as far as headquarters activities are concerned.

24. In order to foster future enterprise dialogues, it is important to cultivate the attention of actual business leaders (not former business leaders) in the North and especially business leaders in the South (who have credibility as entrepreneurs and who have the ear of their Governments), and to attract them to the mission of UNCTAD and to what may be its future role in international economic management. Of primary importance also is the selection of themes for a dialogue, both in terms of the intergovernmental timetable and in terms of the priorities within the enterprise sector.

25. Possible issues which will attract business leaders to engage in a purposeful dialogue and to provide expert advice to UNCTAD are likely to be those which are also of major current concern to the international business community, including:

- Globalization and regionalization of economic activity;
- The economic impact of newly industrialized countries;
- The impact of information and telecommunications technology on business development and trade;

- Major structural and regulatory reforms: transition to the market economy in Eastern Europe and in developing countries;
- Financial deregulation and capital flows, with a focus on foreign direct investment;
- Environment policy, technology and economic decision-making;
- The changing international trading system.

26. A number of issues of specific interest to UNCTAD may be linked with some of these themes such as the trend to self-regulation, trends of industrial development co-operation linked with trade, the changing role of the State as an economic and regulatory actor in many developing countries, the improvement of the performance of UNCTAD in the promotion of trade and economic co-operation, the strengthening of its negotiating machinery and the establishment of programme priorities and orientation.

27. Developing stronger and more relevant relations with the enterprise sector implies that the UNCTAD secretariat establish a corporate relations policy, set objectives and reorganize the resources for implementation. It is suggested that in future relations with the enterprise sector, mutual interest and fruitful co-operation could be developed especially around these policy concerns:

. strengthening the capability of strategic thinking and planning in UNCTAD, and developing a better understanding of its mission;

. making optimal use of business advice on specific policy and technical issues, and on shaping the work programmes;

. mobilizing enterprises for the purpose of technical co-operation policies and programmes;

. enabling UNCTAD staff to strengthen their competence and the relevance of their work by networking with enterprises;

. building linkages and alliances with other organizations aimed at establishing a better interaction with the enterprise sector.

The new initiation in UNCTAD enterprise relations should be launched in 1992 and implemented in five steps:

a) The Secretary-General's Business Council on Strategy

28. The Secretary-General of UNCTAD should constitute an informal group of high-calibre "Friends from the enterprise sector", at the level of chief executives of major businesses, who have influence in their governments, in order to hear their advice on strategic issues and concerns facing international business and international economic management.

b) Advisory Committee to the Trade and Development Board and substantive issues and to the secretariat on technical co-operation

29. An Advisory Committee to the Board and to the Committee on Commodities existed from 1965 until the mid-1970s. Its members included distinguished trade and development experts as well as experienced negotiators keen to work with UNCTAD. But the Advisory Committee ceased to exist because it might not be entrusted with meaningful tasks. Today, in a world with much more complex and difficult problems embedded in a rapidly changing and increasingly unpredictable global environment, re-establishing such an Advisory Committee should be considered.

30. Learning from the valuable experience of UNCTC (Expert Advisers) and OECD (BIAC/TUAC consultations), the new Advisory Committee could be established on a multi-partite basis and its constituting groups (e.g., enterprises, academics, trade unions, others) could be consulted either separately or jointly, as appropriate.

31. Technical co-operation is the area around which enterprises and enterprise associations in developing countries could be most readily mobilized. The demand for technical assistance from the enterprise sector in developing countries is growing and becoming more diverse and more sophisticated. In order to attribute sufficient importance and to give a clearer focus to this development, the Advisory Committee should be invited to pay special attention to technical co-operation policy and programmes, for example by means of a working group or another appropriate forum in which enterprises from both developed and developing countries could exchange their views.

32. Enterprises could be encouraged to become increasingly involved in technical co-operation and to assist in fund-raising, mobilizing expertise and initiating new ideas. The Committee could be invited to review regularly the Technical Co-operation Programme.

d) Building linkages and managing the networks

33. Enterprise-oriented events of interest to UNCTAD and its constituency should be created or co-sponsored together with organizations such as the World Economic Forum and the World Industry Forum; the International Chamber of Commerce, International Employers' Organizations and BIAC at OECD when there is a coincidence of interest around a given theme.

34. Individual business contacts and small networks related mainly to research exist at various points throughout the programmes of UNCTAD. But these relations, being highly personalized, are fragile and may disappear with the transfer or departure of an individual staff member. It is recommended that these contacts and networks be managed more systematically.

35. By establishing an Information Base which would record all existing enterprise contact persons, their expertise, and their interest in and co-operation with UNCTAD. It can provide the links between UNCTAD and external communications channels for an exchange of information, and news about market trends and forthcoming events, and it can generally improve the networking capabilities of UNCTAD staff.

Annex II

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